



# The Real Estate ANALYST

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Roy Wenzlick  
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies....Surveys....Forecasts

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REAL • ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

VOLUME IX

## BUSINESS IMPROVING RAPIDLY BECAUSE OF REARMAMENT PROSPECTS

**A**S forecast in our reports, general business prospects in the United States have remained brighter than the panic behavior of the stock market of several weeks ago would indicate. In our opinion the improvement which started in April will continue to grow for many months, unless interrupted for a short time by a Nazi victory over Great Britain with its resulting cancellation of war orders. Even under that eventuality we think the large volume of domestic armament orders would cushion the shock to the point where it would be short-lived.

On the center spread of this report we have charted twenty-four barometers of American business by months from 1937 to the present. We are describing and commenting on each of these barometers below. It will be noticed that in almost all cases they are now above the corresponding month of a year ago.

**INDUSTRIAL PRODUCTION** - The Federal Reserve index serves as a measure of change in the physical volume of the country's industrial output. The April figure was 102, June will be around 112. We estimate July will approach 120.

**IRON AND STEEL OUTPUT** - A Federal Reserve index, one of the industries included in their index of industrial production. This index will rise very rapidly during the next few months.

**MACHINE TOOL MANUFACTURING EMPLOYMENT** - This index shows the tremendous advance in machine tool orders during the recovery period. From a level in 1932 and 1933 of about one third of the 1923-25 average, employment has increased to more than double the 1923-25 level.

**FREIGHT CAR LOADING** - This index has been corrected for seasonal variation. The trend is starting up again. May was 16% above May of last year.

**WAGES** - Compiled from a number of sources and computed by the Federal Reserve Bank of New York. In most cases the data are average hourly earnings. The index is corrected for seasonal fluctuation. The last figures are 2% above the corresponding period of a year ago.

**FACTORY EMPLOYMENT** - A Federal Reserve index based on data accumulated by the Bureau of Labor Statistics in 90 individual factory employment series. This index is adjusted for seasonal variation. 5% above a year ago.

**BUILDING MATERIAL MANUFACTURING EMPLOYMENT** - Computed from figures published by the Federal Reserve Board and the Bureau of Labor Statistics, covering employment in the production of six major construction materials. The index as charted is adjusted for seasonal fluctuation. 7% above a year ago.

**PRODUCTION OF ELECTRICITY** - Compiled by the Federal Power Commission and representing totals for all plants producing 10,000 kilowatt hours per month and generating electricity

(Continued on Page 152)

## NEW INDEX OF OFFICE BUILDING RENTS 1915 - 1939

There have been three indexes of residential rents available in the United States for the period from 1915 to the present--the Bureau of Labor Statistics index, the index of the National Industrial Conference Board and the index of Real Estate Analysts (1851 - 1940). We have never seen, however, a national index of office building rents carried over a long period of years, and as one was needed we started work some months ago on its construction. The index numbers and chart on the page opposite show the results.

This index represents building in all parts of the United States, and includes records of 508 different buildings on which rental information was obtained. It was not possible to carry all of these buildings thru every year, but a large enough number are represented in each year's total to make it a reliable index.

On the chart we have shown the fluctuations in the rent of office space in contrast to the fluctuation in the rent level of residential space. We have also shown toward the bottom of the chart the percentage of occupancy of both residential and office space as far back as these figures are available.

There are a number of rather interesting conclusions which might be drawn from this chart:

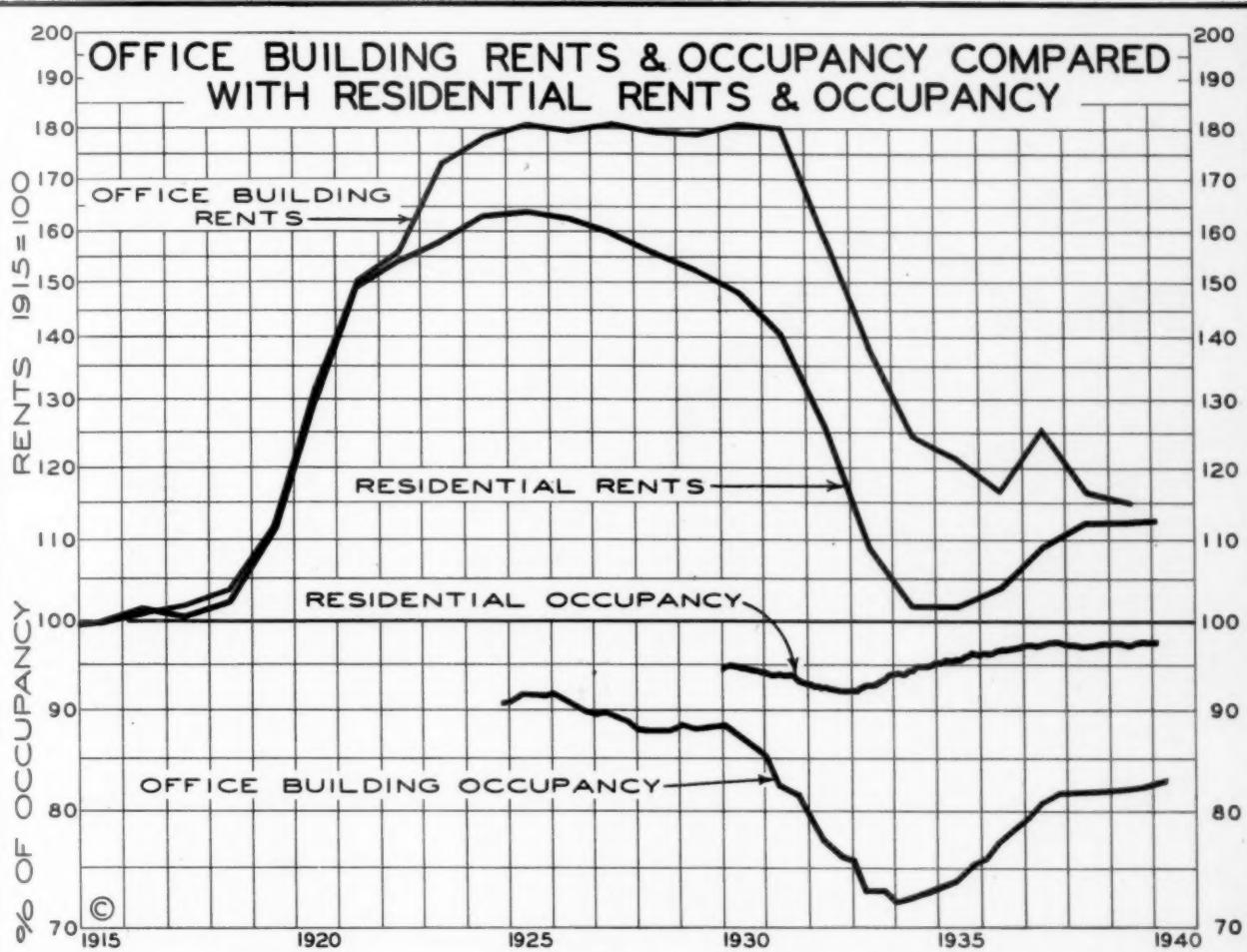
I. Office building rents in the period prior to 1923 advanced at a rate almost identical with the advance in residential rents. In 1922 office building rents were 56% above their 1915 level, while residential rents were 54% above.

II. From 1923 to 1931 office building rents made a far more favorable showing than residential, due probably to the fact that most of the new building in the residential field got under way in the early 'twenties, relieving the shortage rather early, while the larger part of the building of office buildings was done in the late 'twenties. It is unfortunate that vacancy figures are not available in the early period.

III. Office building rents today are higher than residential rents if compared with 1915 levels, but it must be remembered that taxes on commercial property advanced by a far larger percentage than did taxes on residential property, making the net on office buildings lower in most cases than the net on residential.

## SECOND LARGE FHA APARTMENT PROJECT IN ST. LOUIS TO BE FORECLOSED JULY 8

LUCAS and Hunt Village, a 600 family project in St. Louis County, financed with a life insurance loan and insured by the FHA, is being advertised for foreclosure on July 8th. Although completed for more than seven months, it is still 74% vacant. The FHA took over Manhassett Village, a 354 unit project in St. Louis County in March. The two projects will give them almost a thousand units in Greater St. Louis.



#### OFFICE BUILDING AND RESIDENTIAL RENTS AND OCCUPANCY

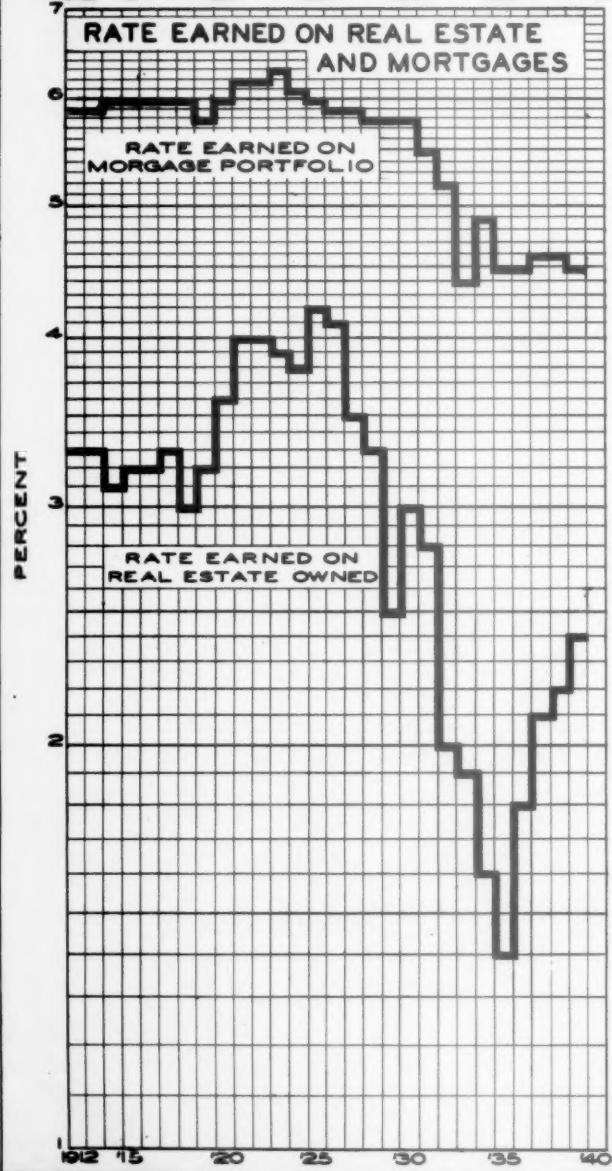
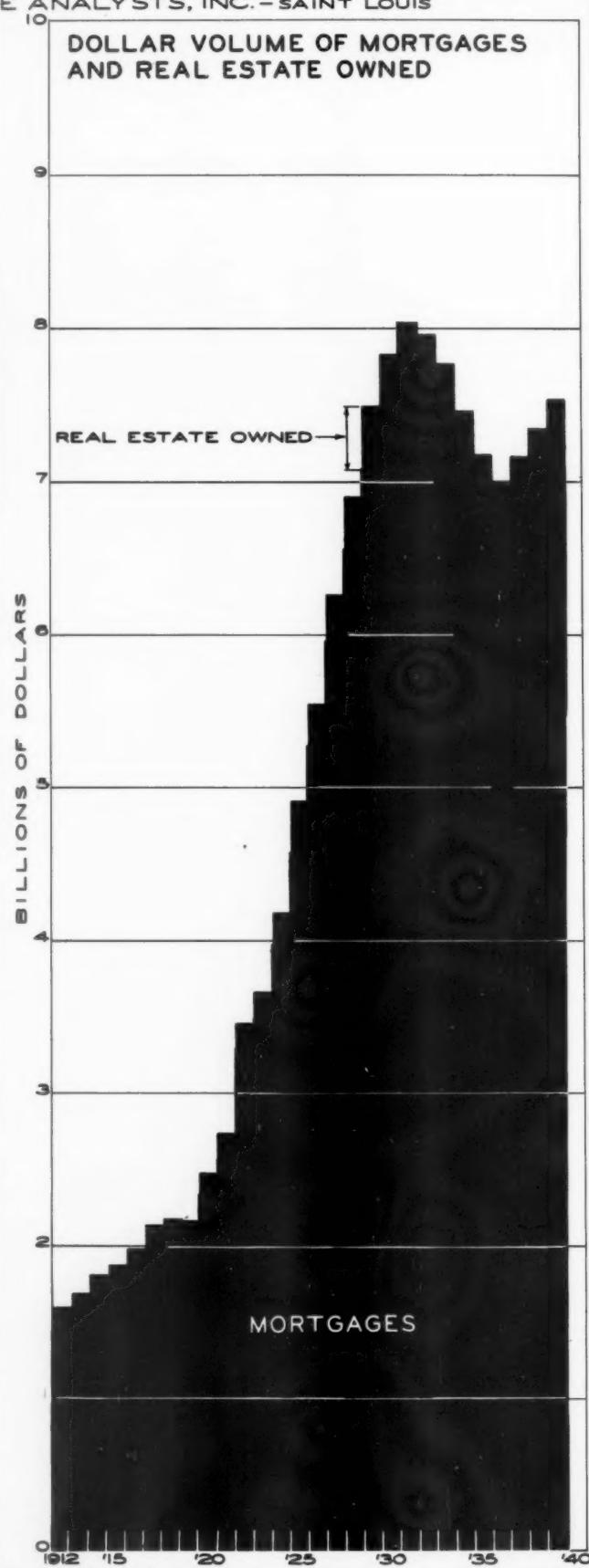
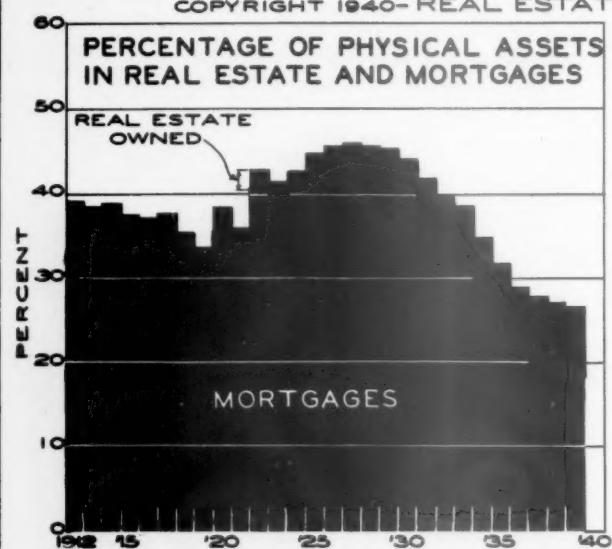
YEAR	1915	1916	1917	1918	1919	1920	1921	1922	1923
OFFICE BUILDINGS									
Rents	100	101	102	104	112	132	151	156	173
Occupancy*	--	--	--	--	--	--	--	--	--
RESIDENTIAL BUILDINGS									
Rents	100	101.2	100.3	102.2	110.7	130.0	149.3	154.0	157.8
Occupancy	--	--	--	--	--	--	--	--	--
YEAR	1924	1925	1926	1927	1928	1929	1930	1931	1932
OFFICE BUILDINGS									
Rents	178	181	180	181	180	179	181	180	159
Occupancy*	--	92.0	91.5	90.1	88.1	88.2	87.6	82.7	77.6
RESIDENTIAL BUILDINGS									
Rents	163.2	164.1	162.5	160.0	156.1	152.5	148.3	140.6	126.1
Occupancy	--	--	--	--	--	--	94.8	93.7	92.6
YEAR	1933	1934	1935	1936	1937	1938	1939	1940	
OFFICE BUILDINGS									
Rents	139	125	122	117	126	117	115	--	
Occupancy*	73.1	72.6	74.0	77.3	80.9	81.9	82.2	83.0	
RESIDENTIAL BUILDINGS									
Rents	108.8	101.8	101.8	103.9	109.0	112.4	112.4	112.5	
Occupancy	92.9	94.7	95.9	96.9	97.4	97.4	97.5	97.6	

\* Spring figure given.

# LIFE INSURANCE COMPANIES AS MORTGAGEES

BASED ON THE RECORDS OF THE 109 LARGEST COMPANIES IN THE UNITED STATES

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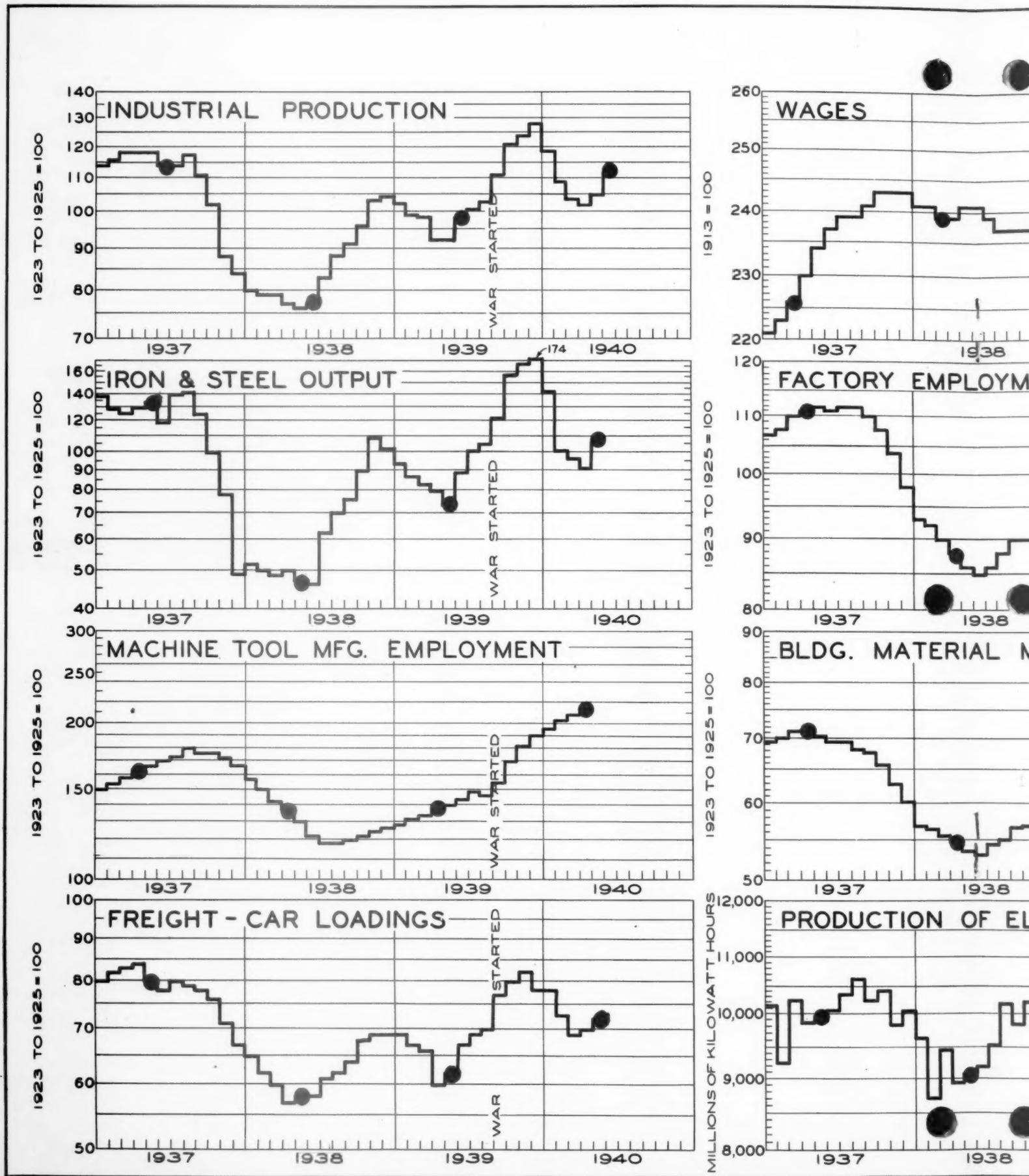


## LIFE INSURANCE COMPANIES AS MORTGAGEES~1939

**T**HE table below and the chart on the page opposite show the experience of the 109 largest life insurance companies in the United States as mortgage lenders from 1912 to the present. It will be noticed that in 1939 the dollar volume of real estate mortgages held by life insurance companies increased by more than \$218,000,000 in comparison with 1937 and by approximately \$425,000,000 in comparison with 1937. As a percentage of total assets of the life insurance companies, however, real estate mortgages continued their decline to 19.2% in contrast with a high in 1926 of 43.5%. The rate earned on mortgages dropped to 4.5% from 4.6%, and the rate earned on real estate owned increased from 2.2% to 2.4%.

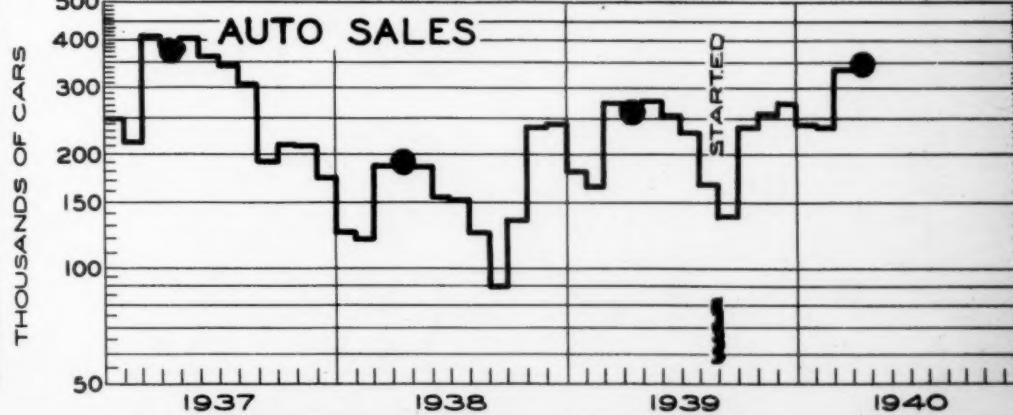
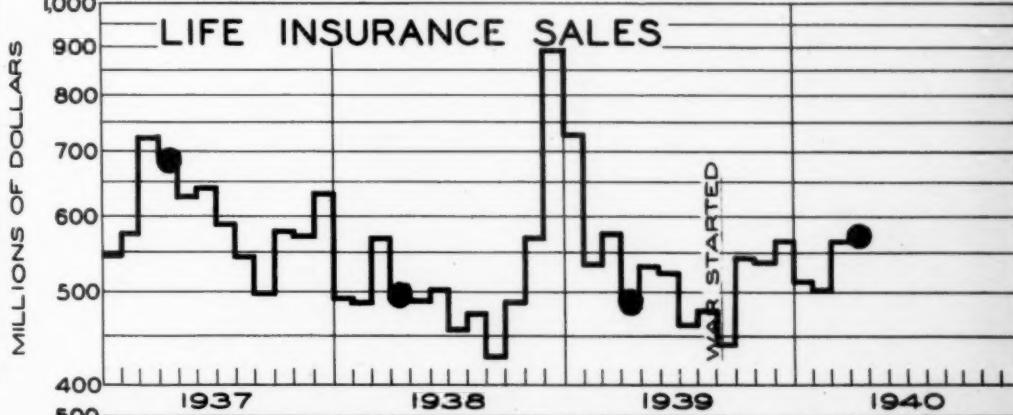
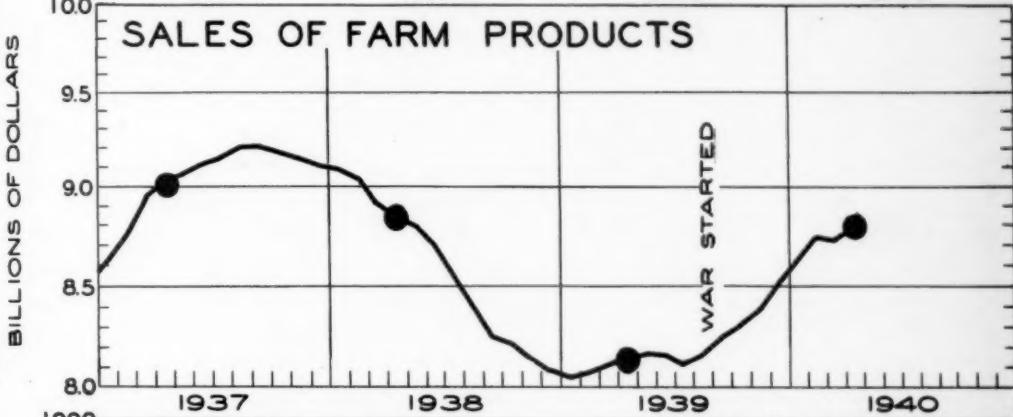
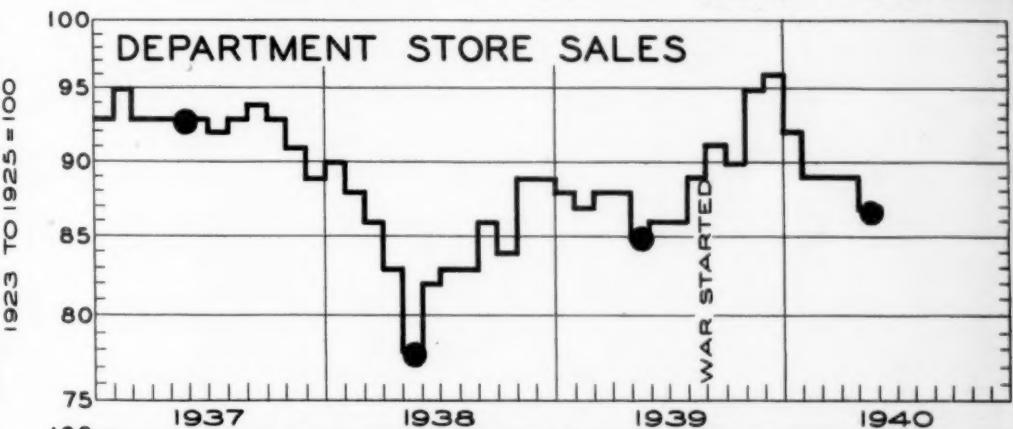
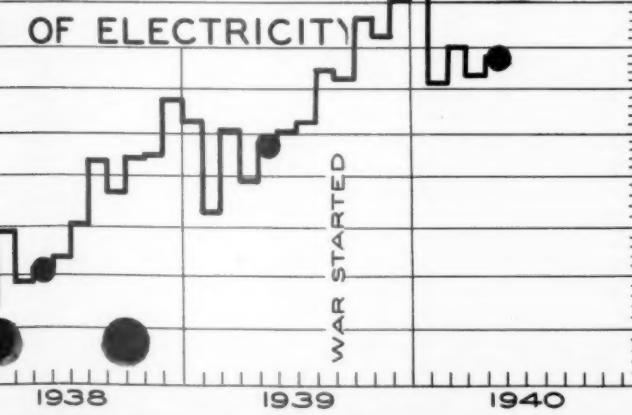
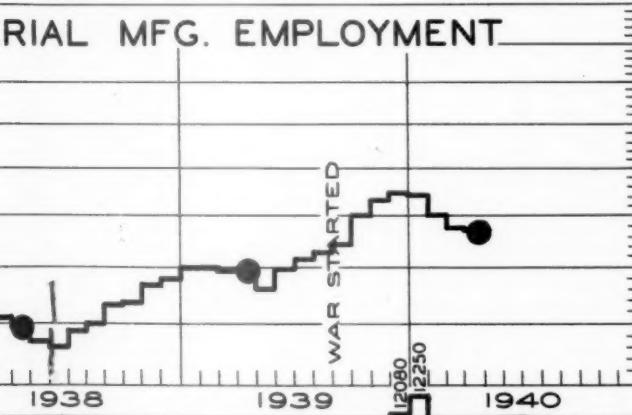
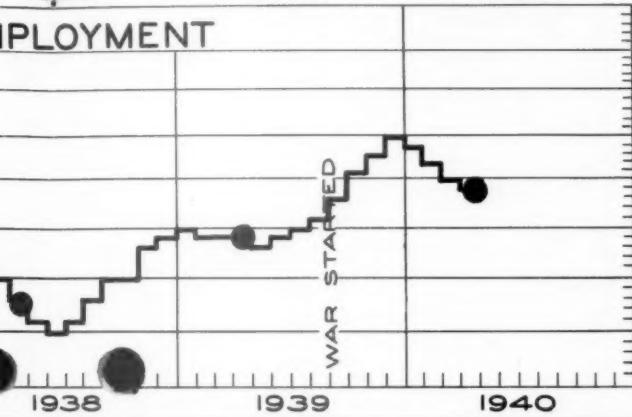
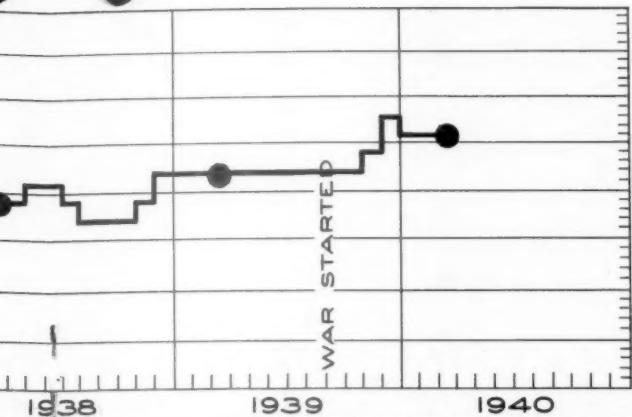
Year	REAL ESTATE MORTGAGES			REAL ESTATE OWNED			GROSS ASSETS
	Amount*	% Assets	Rate Earned	Amount*	% Assets	Rate Earned	
1912	\$1,428,408	33.2	5.9	\$160,546	5.9	3.3	\$4,278,567
1913	1,554,163	34.2	5.9	136,780	4.4	3.3	4,532,916
1914	1,645,283	34.2	6.0	153,536	4.5	3.1	4,810,508
1915	1,716,342	33.6	6.0	154,297	3.8	3.2	5,056,680
1916	1,823,658	33.6	6.0	154,762	3.5	3.2	5,438,405
1917	1,951,504	34.2	6.0	168,191	3.5	3.3	5,812,235
1918	2,000,864	32.2	6.0	167,979	3.1	3.0	6,265,434
1919	2,009,362	31.0	5.8	153,346	2.7	3.2	6,608,312
1920	2,332,439	35.5	6.0	153,255	2.7	3.6	6,655,894
1921	2,573,821	33.5	6.2	162,582	2.4	4.0	7,741,267
1922	3,297,285	40.6	6.2	167,996	2.2	4.0	8,421,028
1923	3,482,881	39.1	6.3	182,670	2.2	3.9	9,165,167
1924	3,993,230	40.6	6.1	204,120	2.1	3.8	10,121,992
1925	4,582,281	42.6	6.0	223,452	2.1	4.2	11,129,064
1926	5,283,927	43.5	5.9	253,933	2.1	4.1	12,466,149
1927	5,962,158	43.0	5.9	298,606	2.2	3.5	13,890,188
1928	6,555,276	42.6	5.7	351,878	2.3	3.3	15,471,299
1929	7,091,613	42.0	5.7	400,914	2.4	2.5	16,883,283
1930	7,364,000	40.8	5.7	461,949	2.6	3.0	18,077,297
1931	7,441,593	38.0	5.5	598,702	3.1	2.7	19,567,235
1932	7,165,656	35.4	5.2	846,179	4.2	2.0	20,219,265
1933	6,610,718	32.2	4.4	1,224,064	5.9	1.9	20,580,888
1934	5,827,270	27.1	4.9	1,704,119	7.9	1.6	21,479,234
1935	5,272,707	23.2	4.5	1,911,016	8.4	1.4	22,715,209
1936	4,960,385	20.4	4.5	2,056,667	8.5	1.8	24,288,552
1937	5,055,338	19.7	4.6	2,096,042	8.1	2.1	25,708,928
1938	5,262,537	19.4	4.6	2,089,890	7.7	2.2	27,150,640
1939	5,480,635	19.2	4.5	2,054,528	7.2	2.4	28,516,282

\* 000 omitted



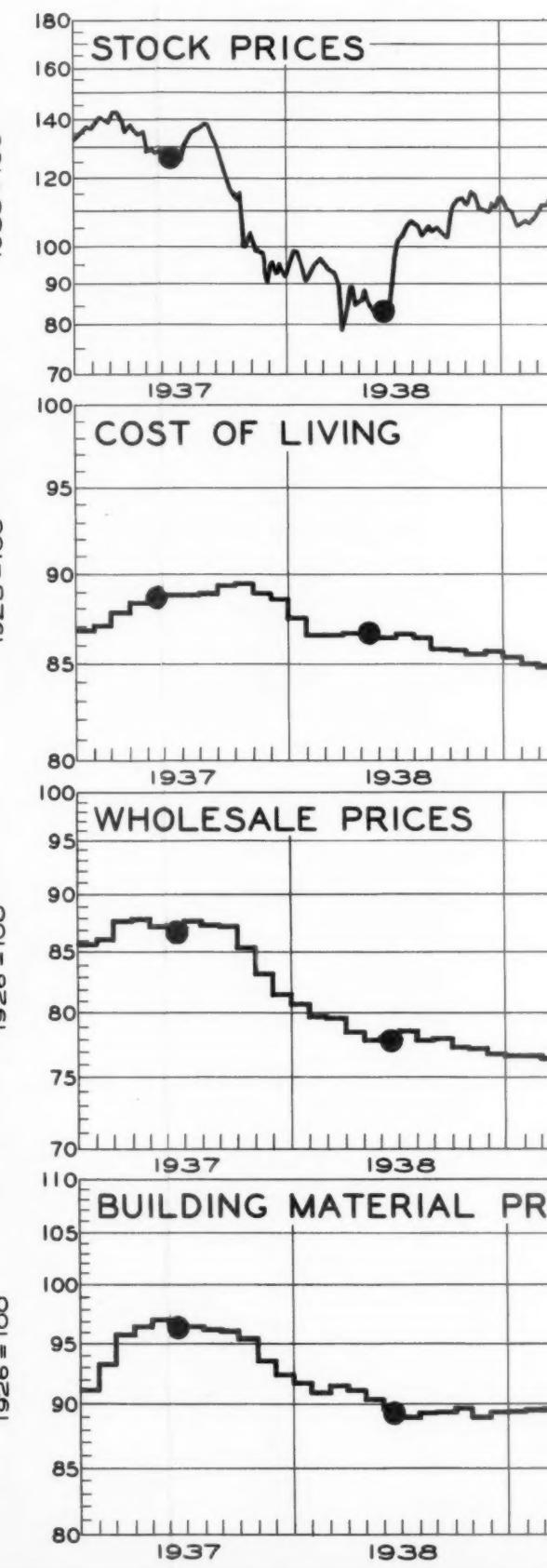
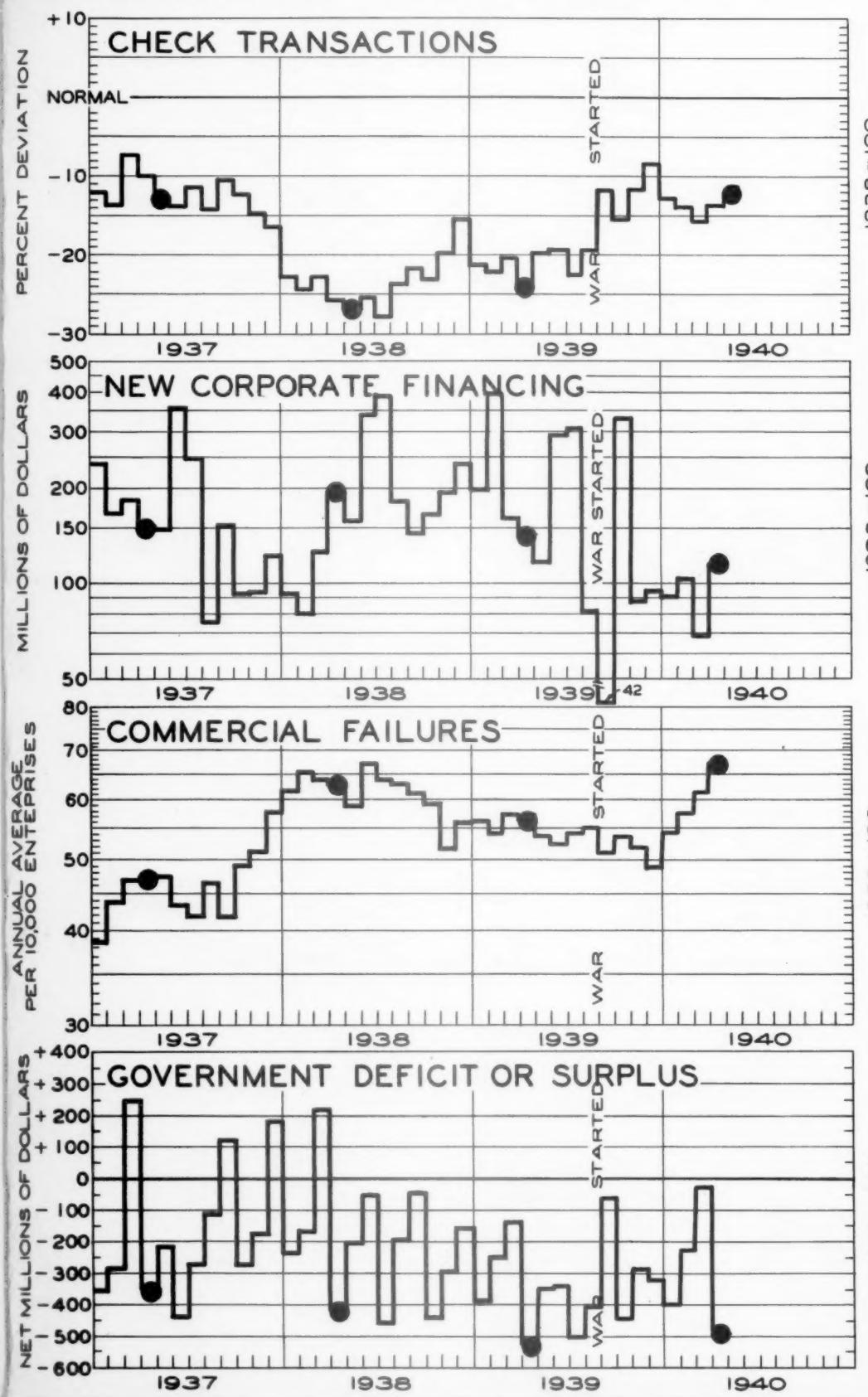
# PRINCIPAL BAROMETERS OF AMERICA

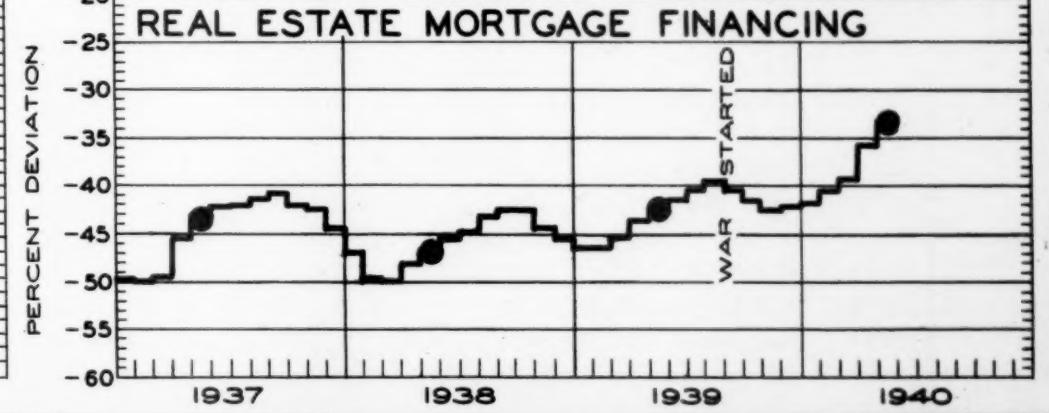
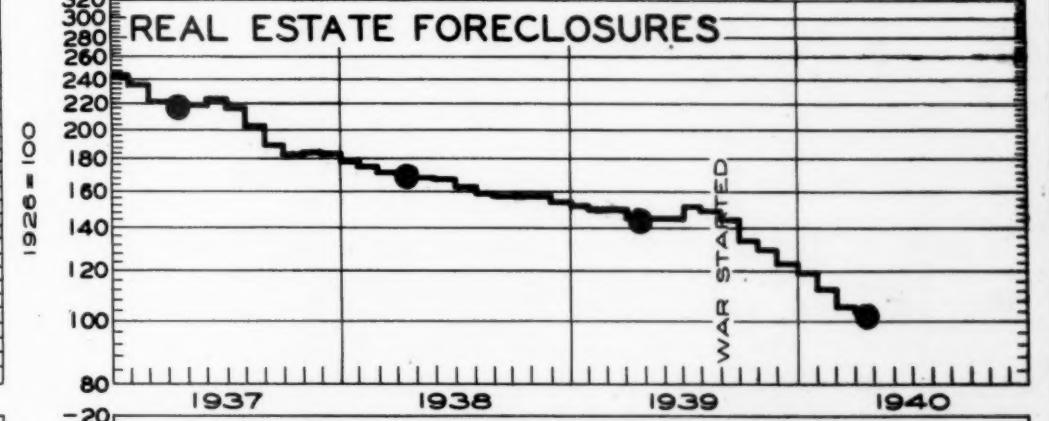
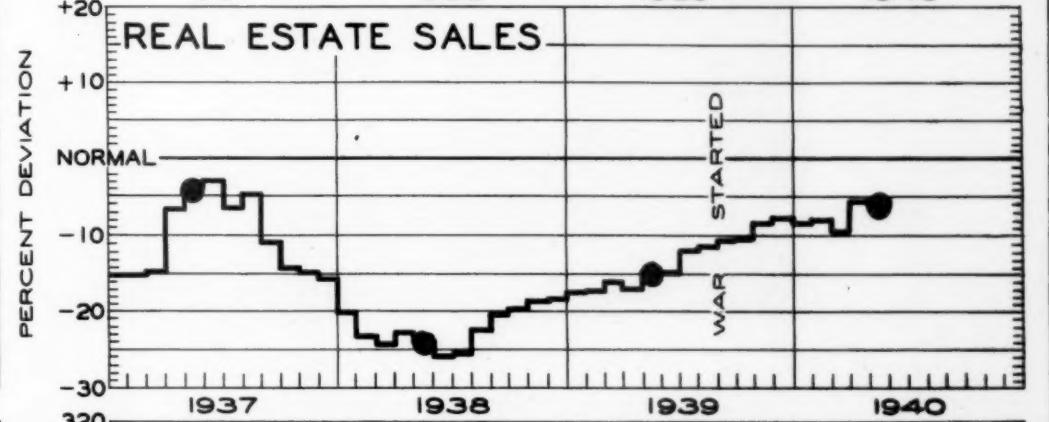
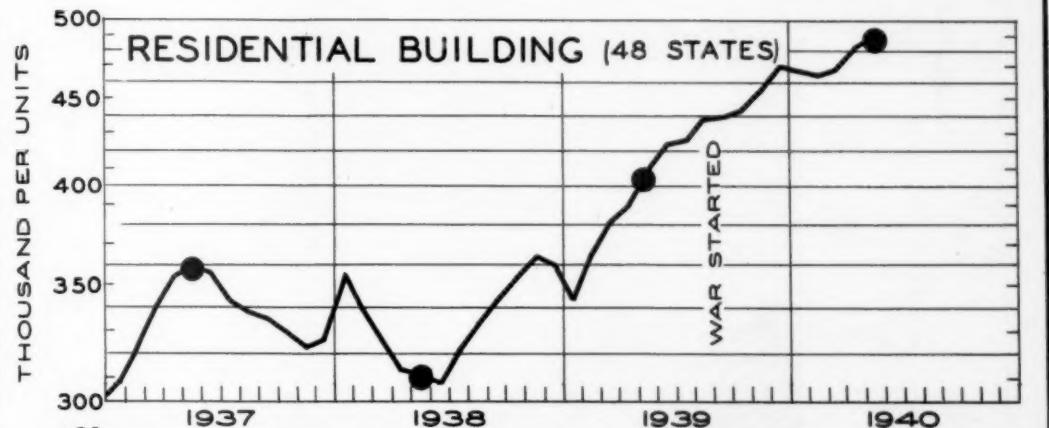
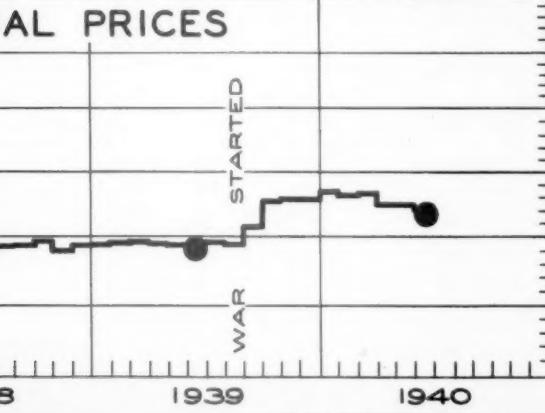
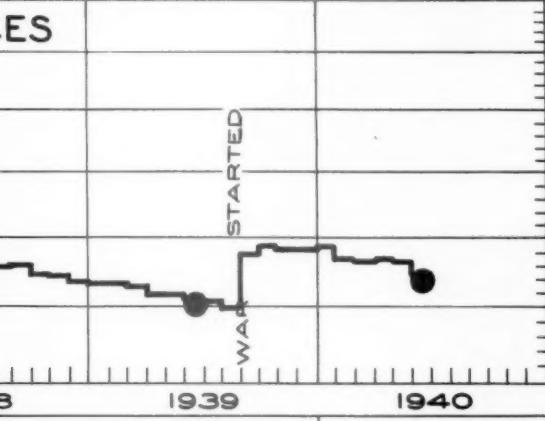
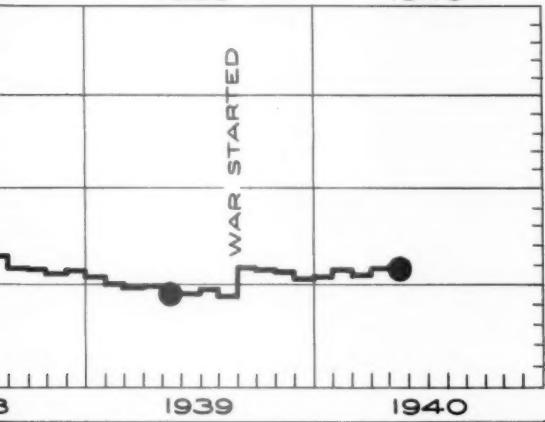
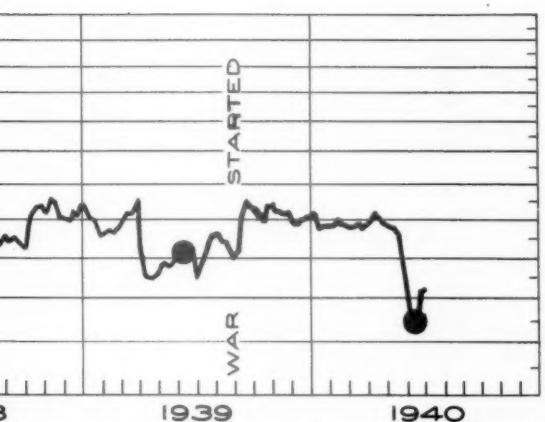
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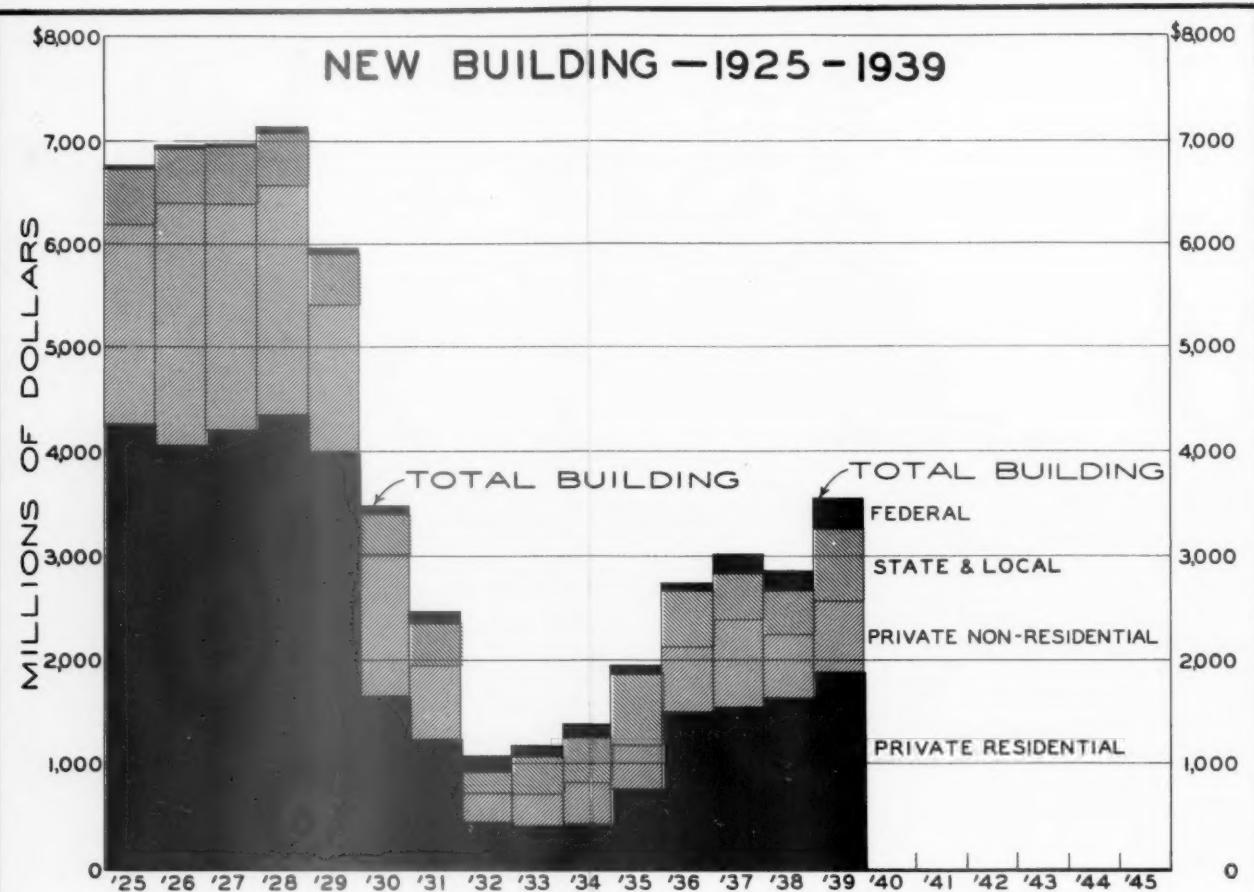


# OF AMERICAN BUSINESS

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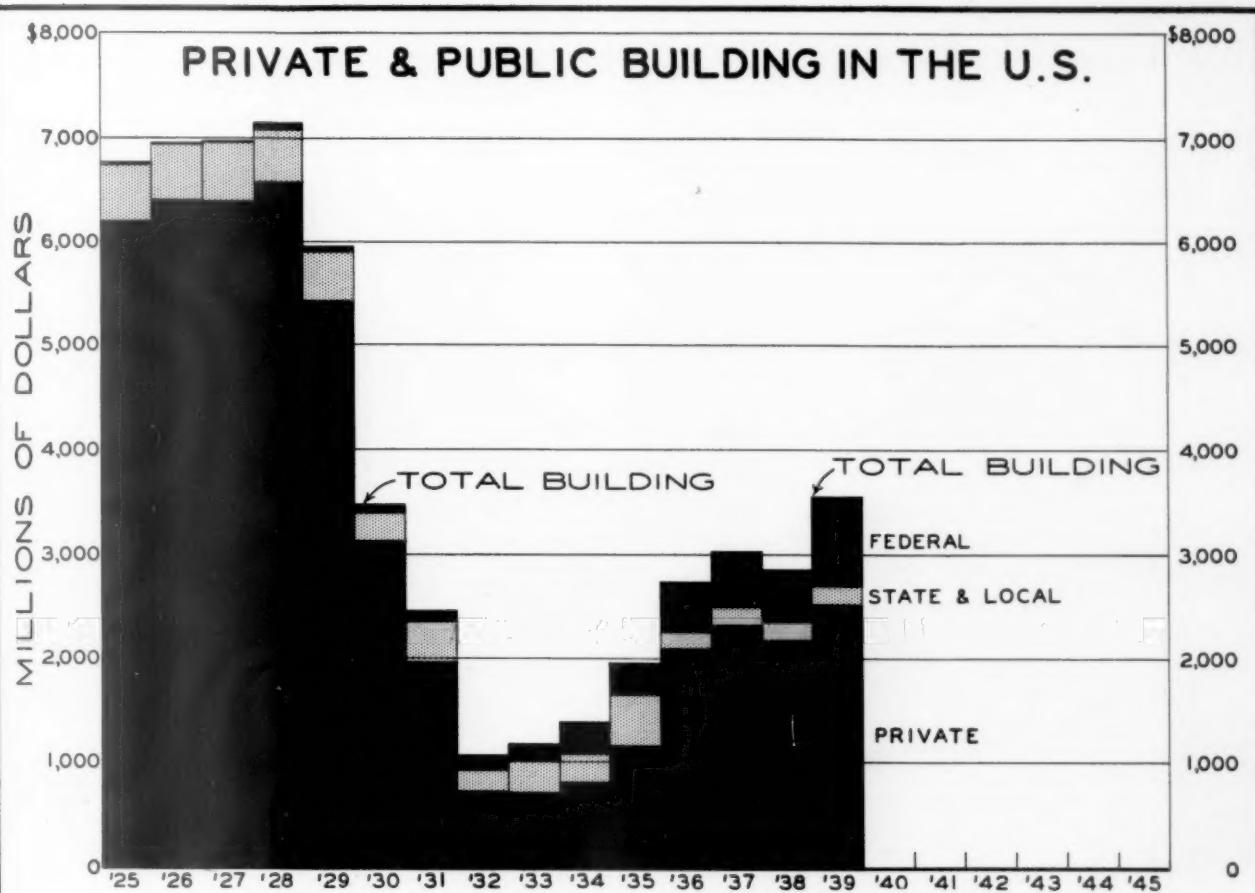


### PRIVATE AND PUBLIC BUILDING

THE chart and tables on this page and the page opposite show total building volume in the forty-eight states for each year since 1925. The figures cover new building only, which does not include roads, dams, pipe lines and many other projects generally regarded as part of total construction.

The chart above shows the volume of building by types and use; the chart on the page opposite shows building by source of funds, whether private, state and local, or federal. Table I on the page opposite gives the figures charted above while Table II presents, in a more detailed form than they appear on the chart on page 149, the figures on the sources of funds expended on building.

It was quite interesting to check the relationship of private and public building in the period covered. In 1925, 91.6% of all building was private; 8.0% was state, county and municipal; and 0.4% was federal. In 1928, at the peak, 92.0% of all building was private, and 7.3% was state, county and municipal. In contrast, by 1939 private building had shrunk to 72.0%; state, county and municipal had grown to 19.6% (including many federal grants and also United States Housing Authority projects built under local housing authorities). 8.4% of the building was distinctly federal. This increase in governmental expenditure has become typical of all phases of economic life during the past few years.



**PRIVATE AND PUBLIC BUILDING  
TABLE I**

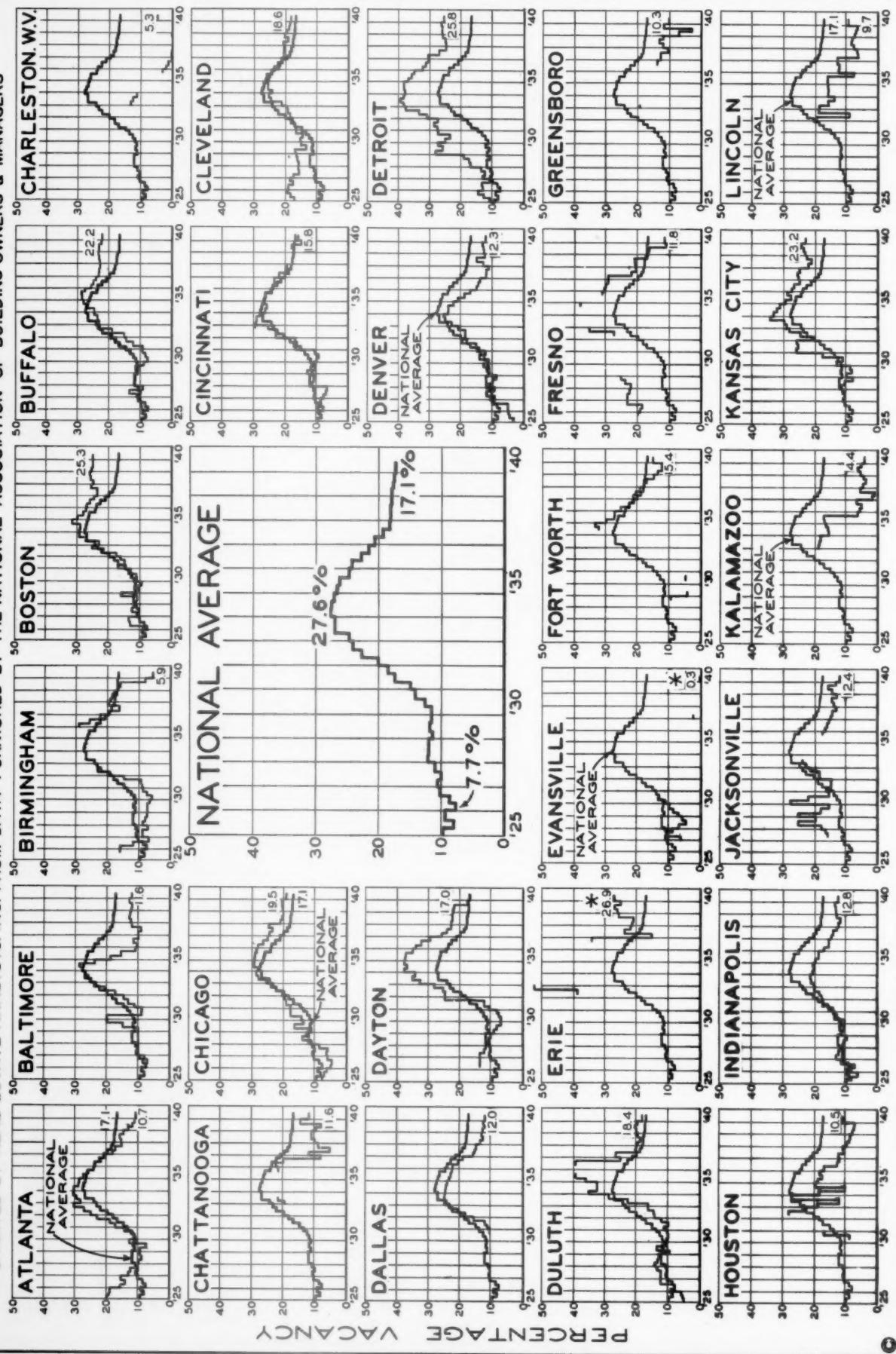
	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
PRIVATE BUILDING															
Residential	4253	4056	4204	4338	3098	1654	1222	432	398	416	764	1496	1532	1629	1882
Non-Residential	1934	2340	2191	2222	2304	1358	732	279	309	392	430	639	840	612	672
Total	6187	6396	6395	6560	5402	3012	1954	711	707	808	1194	2135	2372	2241	2554
STATE AND LOCAL (Pub. Bldgs.)	541	530	544	517	496	376	388	214	349	450	667	480	451	411	694
FEDERAL BUILDINGS	27	33	41	51	66	88	115	140	126	135	82	119	194	202	297
<b>TOTAL ALL BUILDING</b>	<b>6755</b>	<b>6959</b>	<b>6980</b>	<b>7128</b>	<b>5964</b>	<b>3476</b>	<b>2457</b>	<b>1065</b>	<b>1182</b>	<b>1393</b>	<b>1943</b>	<b>2734</b>	<b>3017</b>	<b>2854</b>	<b>3545</b>

**TABLE II**

PRIVATE BUILDING															
Privately Financed	6187	6396	6395	6560	5402	3012	1954	710	700	779	1142	2084	2311	2177	2504
HOLC	-	-	-	-	-	-	-	-	-	20	50	13	15	28	22
PWA	-	-	-	-	-	-	-	-	-	5	6	-	-	-	-
RFC	-	-	-	-	-	-	-	-	-	1	2	3	2	38	46
Total	6187	6396	6395	6560	5402	3012	1954	711	707	808	1194	2135	2372	2241	2554
STATE AND LOCAL (Pub. Bldgs.)															
Locally Financed	541	530	544	517	496	376	388	213	305	290	526	153	182	178	191
Federal Grants															
CWA	-	-	-	-	-	-	-	-	-	25	79	-	-	-	-
FERA	-	-	-	-	-	-	-	-	-	-	34	31	-	-	-
PWA	-	-	-	-	-	-	-	-	-	-	5	34	142	98	74
WPA	-	-	-	-	-	-	-	-	-	-	18	149	113	129	121
Total	-	-	-	-	-	-	-	-	-	25	118	83	291	211	351
Federal Loans															
PWA	-	-	-	-	-	-	-	-	-	18	40	57	35	58	-
RFC	-	-	-	-	-	-	-	-	-	1	1	2	1	1	-
USHA	-	-	-	-	-	-	-	-	-	-	-	-	-	30	152
Total	-	-	-	-	-	-	-	-	-	1	19	42	58	36	58
Total State and Local	541	530	544	517	496	376	388	214	349	450	667	480	451	411	694
FEDERAL BUILDINGS	27	33	41	51	66	88	115	140	126	135	82	119	194	202	297
<b>TOTAL ALL BUILDING</b>	<b>6755</b>	<b>6959</b>	<b>6980</b>	<b>7128</b>	<b>5964</b>	<b>3476</b>	<b>2457</b>	<b>1065</b>	<b>1182</b>	<b>1393</b>	<b>1943</b>	<b>2734</b>	<b>3017</b>	<b>2854</b>	<b>3545</b>

# OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

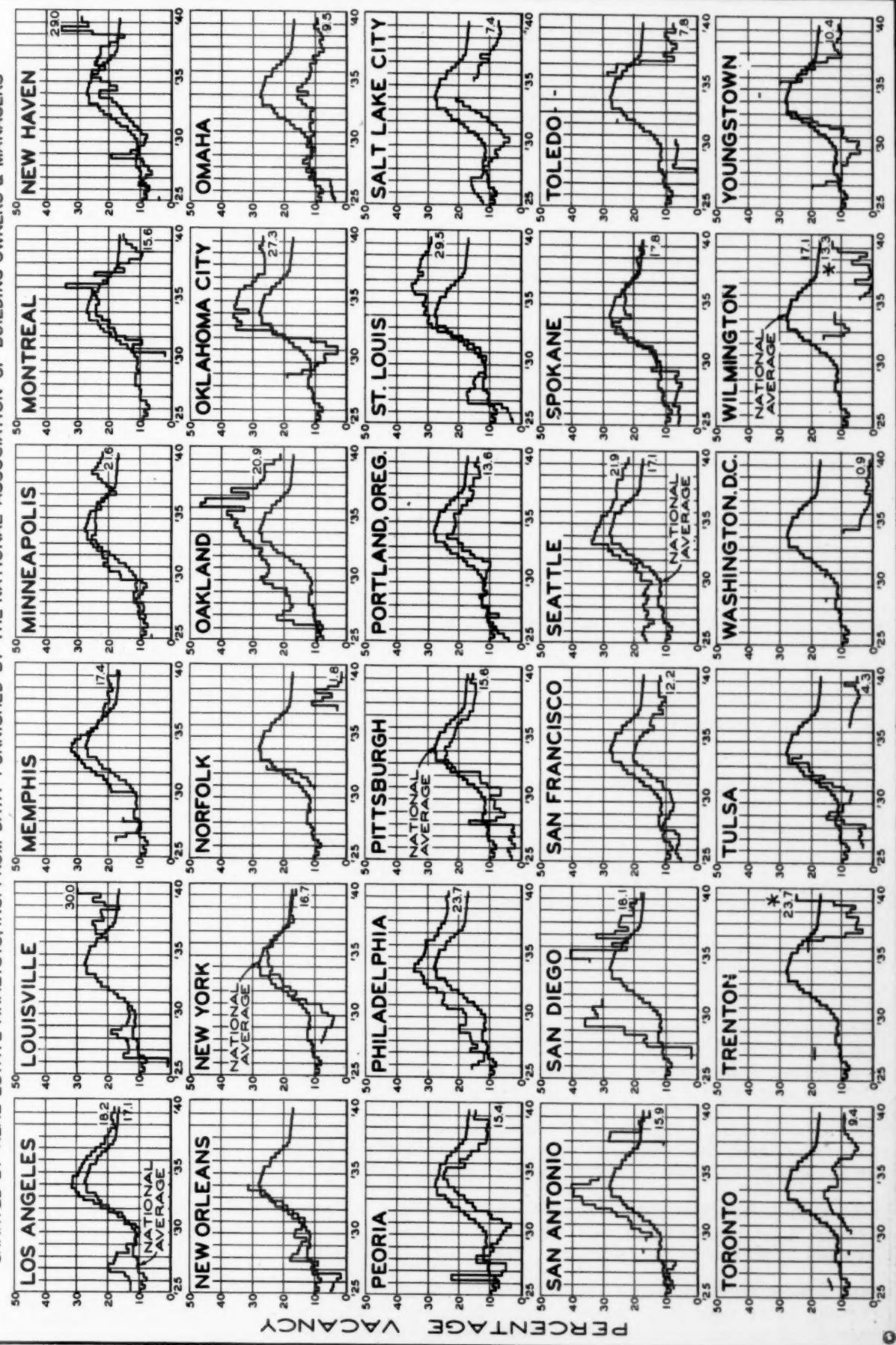
CHARTED BY REAL ESTATE ANALYSTS, INC. FROM DATA FURNISHED BY THE NATIONAL ASSOCIATION OF BUILDING OWNERS & MANAGERS



\*SAMPLE CONSISTS OF LESS THAN 3 BUILDINGS

# OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

CHARTED BY REAL ESTATE ANALYSTS, INC. FROM DATA FURNISHED BY THE NATIONAL ASSOCIATION OF BUILDING OWNERS & MANAGERS



\* SAMPLE CONSISTS OF LESS THAN 3 BUILDINGS

**BUSINESS IMPROVING RAPIDLY** (Continued from Page 139)  
for public use. Data are charted as million of kilowatt hours per month. 10% above a year ago.

**DEPARTMENT STORE SALES** - This index is based on daily average dollar sales of more than 400 department stores, and is adjusted for seasonal variation. 2% above a year ago.

**SALES OF FARM PRODUCTS** - Compiled by the Bureau of Agricultural Economics covering cash income from farm marketing and government payments. Original data are charted as a twelve month moving total and plotted on the last month of each twelve month period. 8% above a year ago.

**LIFE INSURANCE SALES** - The Life Insurance Sales Research Bureau Compiles sales of new, paid-for, ordinary life insurance in 54 companies accounting for approximately 85% of such business. 8% above a year ago.

**AUTO SALES** - The Automobile Manufacturers' Association compiles retail sales of passenger cars in the United States. Figures are charted as thousands of units sold. 33% above a year ago.

**CHECK TRANSACTIONS** - Prepared by The Real Estate Analyst from data compiled by the Federal Reserve, covering debits to individual accounts by banks in cities having a population of 100,000 or more. The index is charted as percentage deviation from normal. 8% above a year ago.

**NEW CORPORATE FINANCING** - Compiled by The Commercial and Financial Chronicle, including all new capital flotations, domestic and foreign, publicly listed for sale, except bank loans and United States issues. Figures are charted as thousands of dollars floated per month.

**COMMERCIAL FAILURES** - Computed by Dun and Bradstreet, excluding real estate and financial companies. The index is expressed as the annual number of failures in each 10,000 firms in business. 19% above a year ago.

**GOVERNMENT DEFICIT OR SURPLUS** - Released by the United States Treasury Department covering net surplus or deficit each month. Monthly deficit 7% below a year ago.

**STOCK PRICES** - Compiled by Dow-Jones and covering thirty leading industrial stocks. Charted on the base 1938=100. 17% below a year ago.

**COST OF LIVING** - Computed by the National Industrial Conference Board. 1% above a year ago.

**WHOLESALE PRICES** - Computed by the Bureau of Labor Statistics from prices of many more than 700 general commodities. 2% above a year ago.

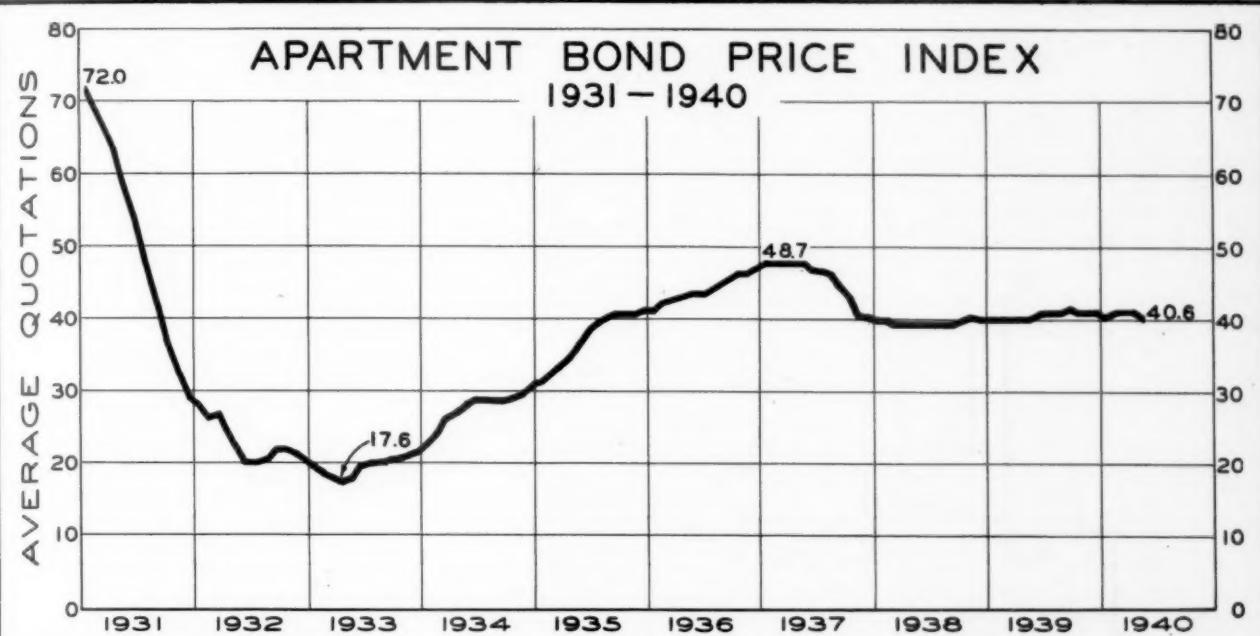
**BUILDING MATERIAL PRICES** - Computed by the Bureau of Labor Statistics and included as part of their wholesale price index. The index is charted on a basis of 1926 equals 100. 3% above a year ago.

**BUILDING VOLUME** - Computed from figures on building permits filed in over 2000 cities having a population of over 1000. These data have been adjusted to cover all cities and are charted as moving annual totals plotted on the last month of each twelve month period. 18% above a year ago.

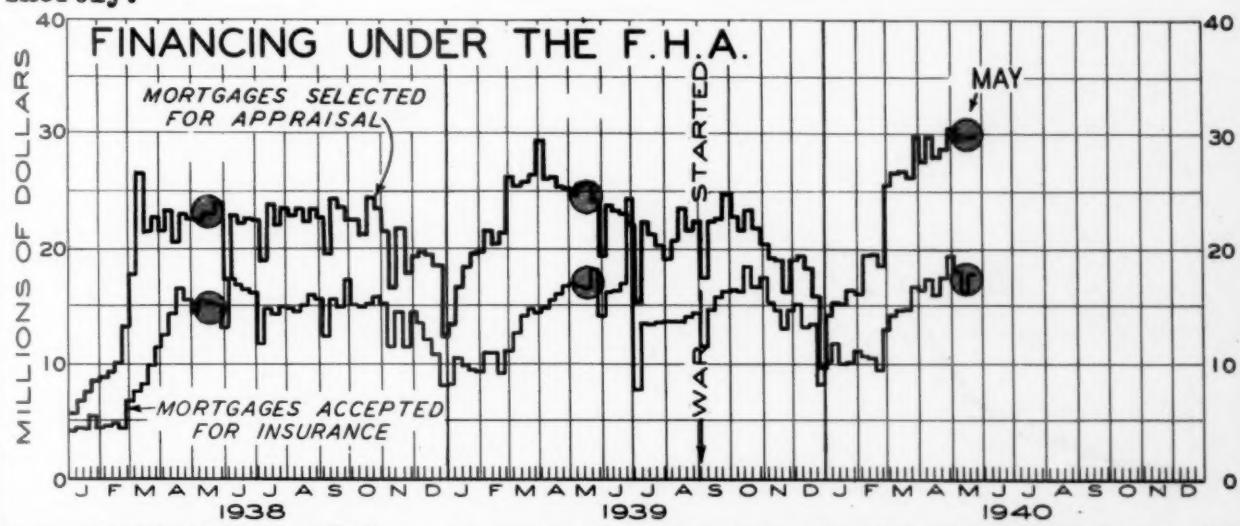
**REAL ESTATE SALES** - Computed by The Real Estate Analyst from figures on 38 principal cities. The index has been corrected for seasonal fluctuations and is charted as percentage deviations from normal. 28% above a year ago.

**REAL ESTATE FORECLOSURES** - Compiled by the Federal Home Loan Bank Board from figures in metropolitan communities. We have adjusted this index for seasonal variation and have charted it on a base of 1926=100. 39% below a year ago.

**REAL ESTATE MORTGAGE FINANCING** - Computed by The Real Estate Analyst from new mortgage figures in 42 principal metropolitan counties. The index is seasonally corrected and is charted as percentage deviations from normal. 16% above a year ago.



THE chart above shows a new index just completed of the average price fluctuations of twenty-five apartment bonds. The issues used were very carefully selected. This index was prepared with the help of E. E. Haverstick & Company of St. Louis. It will be described in detail with a description of each issue used in a special bulletin to be issued shortly.



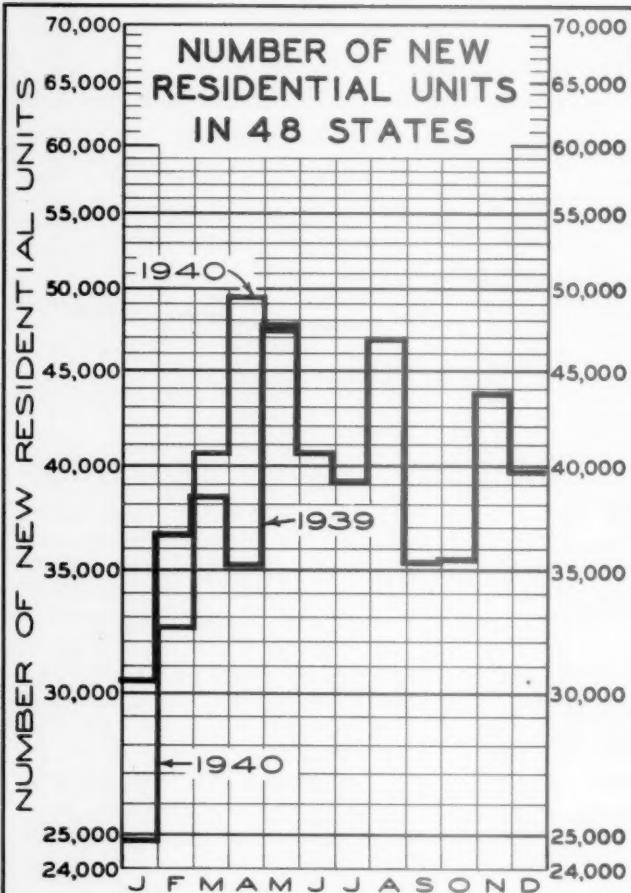
DURING May the FHA continued its favorable showing in comparison with a year ago, forecasting a continuation of the increased building of the past few months. It is quite surprising that the "Blitzkrieg" had little apparent effect on American building.

#### Mortgages Selected for Appraisal Compared with Year Ago

May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
+14%	+4%	-11%	-8%	-8%	+2%	-4%	-13%	-9%	-2%	-6%	+21%	+18%

#### Mortgages Accepted for Insurance Compared with Year Ago

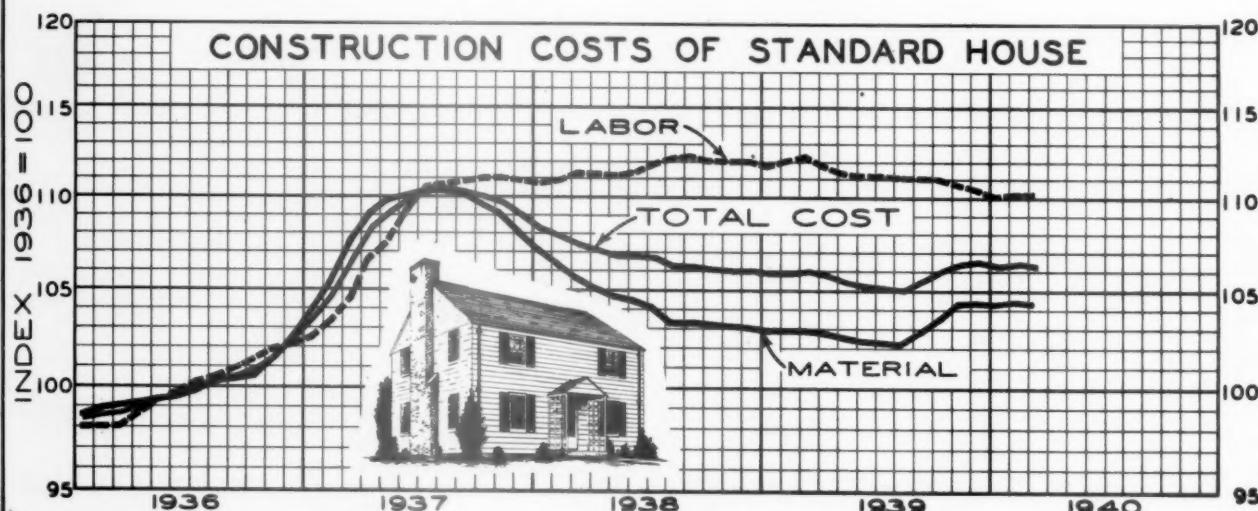
+19%	+11%	-13%	-6%	-9%	+13%	+2%	+5%	+15%	+9%	+1%	+18%	+9%
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THE chart to the left shows the number of new family accommodations built during 1939 and 1940 in all non-farm states and the District of Columbia. 1939 is shown in red, 1940 in black.

The figures charted here are not corrected for seasonal, which accounts for the tremendous rise from January to May. It will be noticed, however, that the rise in 1940 is far greater than it was in 1939. The figure for May was slightly below the figure for May, 1939.

Real Estate Analysts, Inc., forecast an increase of from 5%--15% above 1939 for residential building in 1940. This still seems to us a reasonable estimate in view of all of the various influencing factors. We believe that the second half of the year will show bigger gains than the first half.



THE chart above shows the fluctuation in the average cost of building a standard six room frame residence in the United States. The house figured in each city follows the specifications of the Home Loan Bank Board and is described in The Real Estate Analyst, pages 85-88.

During 1936 and the first half of 1937 building materials and building labor rose together. From then on material dropped steadily until September, 1939. Building labor continued its rise for a year longer and held most of its gain. Today it is as high as it was in 1937, although material cost is 5.6% below that peak.



# EXECUTIVE DIGEST

## OF THE CURRENT REAL ESTATE ANALYST REPORTS

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Roy Wenzlick  
Editor

INDUSTRIAL PRODUCTION is increasing rapidly in the United States, due largely to the present scramble for armament. The near term effect will be stimulating for real estate in many urban centers.....Pages 137-138

OF 24 CHARTED BAROMETERS of American business, 21 were considerably ahead of the corresponding month of a year ago. This included all of the real estate barometers with the exception of rents.....Pages 139-152

OFFICE BUILDING RENTS charted from 1915 to the present advanced prior to 1923 at almost the same rate as residential rents, then at a more favorable rate. The simultaneous rise was surprising, since it has generally been assumed that a considerable lag existed. Office building rents in 1939 eased off a trifle on our index, from 117 (1915=100) to 115.....Pages 140-141

OFFICE BUILDING VACANCY in principal cities decreased during the last few months from 17.7% in October to 17.1% in May. Figures on 56 cities.....Pages 150-151

THE FHA will have to take over a six hundred apartment unit project in St. Louis in July with 76% vacancy. In March they took over a three hundred fifty-six unit apartment project here with 86% vacancy, giving them in the two developments almost a thousand units in Greater St. Louis. Page 140

THE 109 LARGEST LIFE INSURANCE companies increased their mortgage loans during 1939 by 4%. The earnings on their mortgage portfolios decreased from 4.6% in 1938 to 4.5% in 1939. The average earned on real estate owned increased from 2.2% to 2.4%.....Pages 142-143

APARTMENT BUILDING BONDS are now selling on the average at 40.6% of their par values. There has been no great change in price during the last year.....Page 153

THE CONTINUED BREAKING OF RECORDS by the FHA would indicate that residential building will continue strong during the summer.....Page 153

NEW RESIDENTIAL CONSTRUCTION has shown a strong upward surge in the first half of 1940. We are now building at the rate of 480,000 dwelling units per year. We believe that we will probably raise this from five hundred to five hundred and fifty thousand before the end of the year. Construction costs are showing slight changes only.....Page 154

This summary high-spots the material in the June, 1940, reports.